

#### INDUSTRIAL LEASE - SINGLE TENANT

THIS LEASE AGREEMENT made this 16th day of August, 1999, by and between Kent Central, LLC, a Washington limited liability company (the "Lessor") and Tully's Coffee Corporation, a Washington corporation (the "Lessee").

1. **Premises.** Lessor does hereby lease to Lessee those certain premises, to wit: The Buildings located at 3100 Airport Way South in Seattle, Washington as outlined on Exhibit A attached hereto (hereinafter called "Premises"). The multiple building complex of which the Building is a part is hereafter sometimes referred to as the "Project". In addition, the Lessee has the right, in common with other tenants in the Project and subject to the Rules and Regulations, to use of the Common Areas including the parking areas. See Legal Description attached as Exhibit B.
2. **Term.** This Lease shall be for a term of ten years commencing upon Lessor's acquisition of the property (approximately November 1, 1999) (the "Commencement Date") and terminating ten years thereafter. The parties will execute a Commencement Date Memorandum commemorating the actual Commencement Date.
3. **Rent.** Lessee covenants and agrees to pay Lessor at 1001 Fourth Avenue, Suite 4700, Seattle, WA 98154, or to such other party or at such other place as Lessor may hereafter designate, monthly rent in advance without offset or deduction, on or before the first (1st) day of each month of the Lease term in the amounts as follows:

Months:	Base Rent:
1 through 60	\$36,033 per month
61 through 120	\$41,438 per month
4. **Security Deposit.** INTENTIONALLY OMITTED
5. **Use.** Lessee shall use and occupy the Premises for the purposes of roasting and storing coffee and other goods related to the Tully's operation, and normal office, and for no other purposes, without prior written consent of Lessor, and shall comply with all governmental laws, ordinances, regulations, orders and directives and insurance requirements applicable to Lessee's use of the Premises. Lessee shall not occupy or use or permit any portion of the Premises to be occupied or used in such a manner or for any purpose which would increase the cost of insurance coverage upon the Premises, the building or the contents thereof.
6. **Rules and Regulations.** Lessee agrees to comply with any Rules and Regulations attached hereto, any recorded Covenants, Conditions and Restrictions affecting the Project, as well as such other reasonable rules and regulations as may from time to time be adopted by Lessor for the management, good order and safety of common areas, the building and its Lessee(s). Lessee shall be responsible for the compliance with such rules and regulations by its employees, agents and invitees. Lessor's failure to enforce any of such rules and regulations against Lessee or any other Lessee shall not be deemed to be a waiver of same.
7. **Maintenance.** Lessee agrees to take possession of the Premises "as is" and that the Premises are in tenantable and acceptable condition. Lessee shall at its expense and at all times keep, maintain, repair and replace the Premises, including but not limited to the roof, exterior walls, foundations and common areas and facilities, if any, storefronts, exterior doors and windows, Lessee division walls and mechanical, electrical, sprinkler and other utility systems, together with connections to utility distribution systems, in at least as good a condition as when delivered to Lessee. Lessee agrees to maintain a preventative maintenance contract providing for the regular inspection and maintenance of the heating and air conditioning systems with a licensed mechanical contractor and containing terms and specifications acceptable to Lessor. Lessee shall further keep the Premises and adjoining common areas in a neat, clean, safe and sanitary condition; protect water, drain, gas and other pipes to prevent freezing or clogging and repair all leaks and damage caused thereby; replace all glass and panels in windows and doors of

the Premises which become cracked, broken or damaged; and remove ice and snow from entries and common areas immediately adjacent to the Premises.

8. **Utilities and Fees.** Lessee agrees to pay promptly when due all charges for light, heat, water, sewer, garbage, fire protection and other utilities and services to the Premises, and all license fees and other governmental charges levied on Lessee's property and the operation of Lessee's business on the Premises. Lessor shall not be liable for any injury or damages suffered as a result of the interruption of utilities or services by fire, or other casualty, strike, riot, vandalism, the making of necessary repairs or improvements, or other causes beyond Lessor's reasonable control.

9. **Monthly Operating Expense Adjustments.** Lessee shall pay as additional monthly rent its prorata share of all expenses incurred by Lessor for operation of the Project during the term or any extension hereof, as follows:

- A. Real Estate taxes and assessments, together with any assessments levied by the Owner's Association, if any.
- B. Usual and necessary costs of operation, maintenance and repair (including replacement) as determined by standard accounting practice, including without limitation, all utilities and services not metered or charged directly to Lessee, insurance (including, but not limited to the insurance provided for under Paragraph 16 C below), painting, upkeep and repair of parking, landscaping, and all common areas and facilities. If any portion of the Property, or any system or equipment is replaced by Lessor, and if the useful life of such replaced item extends beyond the term of this Lease (as such term may be extended by the exercise of any options), the cost of such replacement will be prorated over its useful life and Lessee will be responsible only for that portion of the cost which is applicable to the lease term (as extended).
- C. A Management fee equal to three percent (3%) of Lessee's monthly rent, including Base Rent and any Additional Rent. Lessor shall from time to time estimate and provide notice to Lessee of its monthly expense based upon existing or expected costs. Such monthly estimated amount shall be paid by Lessee on or before the first day of each month. Lessor, annually or upon termination hereof, shall compute Lessee's actual expenses. Any overpayment shall be applied as a credit to Lessee against future expense payments. Any deficiency shall be paid to Lessor by Lessee within fifteen (15) days after the date of Lessor's statement. Lessor's records showing expenditures made for such expenses shall be available for Lessee's inspection at any reasonable time.

The determination of actual costs and estimated costs allocable to the Premises shall be made by Lessor. Lessor or its agent shall keep records showing all expenditures made for the items enumerated above, which records shall be available for inspection and review by Lessee. The Lessee shall have the right, at reasonable times and upon reasonable prior notice to the Lessor to review the Lessor's records relating to the actual costs and estimated costs allocable to the Premises for a particular Lease Year, which review must be conducted within one (1) year after Lessee's receipt of the statement of actual costs allocable to the Premises for that particular Lease Year. If such review is not conducted within such one (1) year period, then the matters set forth in the statement of actual costs allocable to the Premises for that particular Lease Year shall be deemed conclusive. The Lessee shall pay the costs and expenses of such review unless such review reveals that the Lessor has overstated the Operating Expenses for the Lease Year in question by an amount equal to 5% or more for that particular Lease Year in which event the Lessor shall pay up to \$1,000 in payment of the actual costs incurred by Lessee in the performance of such review.

10. **Lessor's Reservations.** Lessor reserves the right without liability to Lessee: (a) to inspect the Premises, and to show them to prospective Lessees, partners or lenders and if they are vacated, to prepare them for re-occupancy; (b) to retain at all times and to use in appropriate instances keys to doors within and into the Premises; (c) to make repairs, alterations, additions or improvements, whether structural or otherwise, in or about the

building, and for such purposes to enter upon the Premises and during the continuance of any work, to close common areas and to interrupt or temporarily suspend building services and facilities, all without affecting any of Lessee's obligations hereunder, so long as the Premises are reasonably accessible; and (d) generally to perform any act relating to the safety, protection and preservation of the Premises or building.

11. **Possession.** If Lessor does not deliver possession of the Premises at the Commencement Date of the term of this Lease, then, unless such delay is caused by Lessee, Lessee may give Lessor written notice of its intention to cancel this Lease if possession is not delivered within ninety (90) days after receipt of such notice by Lessor. Lessor shall not be liable for any damages caused by failure to deliver possession of the Premises and Lessee shall not be liable for any rent until such time as Lessor delivers possession. A delay of possession shall not extend the termination date. Notwithstanding the above, in the event the delay was caused by Lessee, then the payment of Rent shall commence on the Commencement Date and Lessee shall not have any right to cancel this Lease as a result of such delay. If Lessor offers possession of the Premises or any portion thereof prior to the Commencement Date of the term of this Lease, and if Lessee accepts such early possession, then both parties shall be bound by all of the covenants and terms contained herein during such period of early possession including the payment of rent which shall be pro-rated accordingly and for the number of days of such early possession.
12. **Assignment and Subletting.** Lessee shall not either voluntarily or by operation of law assign, transfer, convey or encumber this Lease or any interest under it, or sublet its right to occupy or use all or any portion of the Premises without Lessor's prior written consent which consent will not be unreasonably withheld. Among the criteria to be used by Lessor in liberally evaluating a request for assignment or subletting will be (i) the proposed use of the Premises; (ii) the anticipated impact, if any, on parking; (iii) the financial capacity of the assignee/sublessee to perform the obligations under this Lease; (iv) the compatibility of the proposed user with the remainder of the tenants and operation of the Building. In the event that Lessee requests consent to the assignment or subletting of more than a total of 50% of the Premises, then Lessor reserves the right to recapture the Premises or applicable portion thereof in lieu of giving its consent by notice given to Lessee within twenty (20) days after receipt of Lessee's written request for such assignment or subletting. Such recapture shall terminate this Lease as to the applicable space effective on the prospective date of assignment or subletting, which shall be the last day of a calendar month and not earlier than sixty (60) days after receipt of Lessee's request hereunder. In the event that Lessor shall not elect to recapture and shall thereafter give its consent, Lessee shall pay Lessor a reasonable fee, not to exceed One Thousand And No/100 Dollars (\$1,000.00) to reimburse Lessor for processing costs incurred in connection with such consent. Lessor's consent shall not release or discharge Lessee from future liability under this Lease and shall not waive Lessor's right to consent to any future assignment or sublease. Any assignment or subletting without Lessor's consent shall be void and shall, at Lessor's option, constitute a default under this Lease. A transfer by the present majority shareholders of ownership or control of a majority of the voting stock of a corporate Lessee, or the change in form of entity of the Lessee, shall be deemed an assignment.

The Lessee shall not assign its interest in or under this Lease for security purposes, nor shall the Lessee grant any security interest, lien or encumbrance against its interest in this Lease or in or to any property in or affixed to the Premises without the prior written consent of the Lessor, which consent shall be granted, withheld or conditioned in Lessor's sole discretion. In no event shall the Lessee grant, or allow to exist, any security interest in, or lien or encumbrance against the fee title to the Premises, the building in which the Premises is located or the real property on which the building is located.

13. **Alterations.** After obtaining the prior written consent of Lessor, Lessee may make alterations, additions and improvements in said Premises at its sole cost and expense. Lessee agrees to save Lessor harmless from any damage, loss, or expense arising therefrom and to comply with all laws, ordinances, rules and regulations. Upon termination of this Lease, all alterations, additions and improvements made in, to or on the Premises (including without limitation all electrical, lighting, plumbing, heating, air conditioning, and communications equipment and systems, doors, windows, partitions, drapery, carpeting, shelving, counters, and physically attached fixtures unless excluded

by written agreement annexed hereto), shall remain upon and be surrendered as a part of the Premises; provided however, upon Lessor's request, Lessee shall remove those additions, alterations, or improvements as may be specified by Lessor, and repair and restore the Premises to its original condition at Lessee's sole cost and expense prior to expiration of the Term.

14. Liens. Lessee shall keep the Premises free from any liens arising out of any work performed, materials furnished, equipment supplied, or obligations incurred by or on behalf of Lessee. No work performed, material furnished, equipment supplied or obligations incurred by or on behalf of Lessee shall be deemed to be for the immediate use and benefit of Lessor so that no mechanic's lien or other lien shall be allowed against Lessor's estate in the premises. Lessee shall provide, at Lessee's own cost, waivers of lien signed by any party (including the Lessee) who performs work, furnishes materials, or supplies equipment to the Premises. Lessor may require, at Lessee's sole cost and expense, a lien release and completion bond in an amount equal to either the actual contract price or one and one-half times the estimated cost of any improvements, additions or alterations in the Premises which Lessee desires to make, to insure Lessor against any liability for lien and to insure completion of the work.
15. Signs. All signs or symbols placed by Lessee in the windows and doors of the Premises, or upon any exterior part of the building, shall be subject to Lessor's prior written approval. Lessor will not object to the size of any sign proposed by Lessee and approved by the City of Seattle. Prior to termination of this Lease, Lessee will remove all signs placed by it upon the Premises, and will repair any damages caused by such removal.
16. Insurance.
  - A. Lessee shall pay for and maintain, during the entire Lease Term, the following policies of insurance:
    - (i) Commercial general liability insurance, including products, completed operations coverage and auto liability insurance covering Lessee's operations and the Premises with limits of not less than \$2,000,000 per occurrence. Such policies shall be endorsed to provide contractual liability insurance covering all liability assumed by Lessee under the provisions of this Lease and a copy of said endorsement will be delivered to Lessor prior to commencement of the Term.
    - (ii) Special cause of loss "all risk" perils property insurance upon all building improvements and alterations on the Premises for which Lessee is responsible and upon Lessee's property in the amount of one hundred percent (100%) full replacement cost. The policy shall include Lessor and Lessor's mortgagee, if any, as additional insureds, as their interests may appear, with a loss payable clause in favor of Lessor and Lessor's mortgagee to the extent of their interest in the property.
  - B. Each policy provided by Lessee shall expressly provide that it shall not be subject to cancellation or material change without at least thirty (30) days prior written notice to the Lessor. Lessee shall furnish Lessor, prior to commencement of the Term, with insurance certificates naming Lessor as additional insured and, upon request, copies of such policies required to be maintained hereunder.
  - C. Lessor shall pay for and maintain property insurance during the entire Lease Term for the perils of Special cause of loss ("all risk") and earthquake. Such insurance shall be in the amount of one hundred percent (100%) full replacement value of the Building and Lessor's improvements.
17. Indemnity Against Liability for Loss or Damage
  - A. Lessee assumes all liability for and shall indemnify, hold harmless and defend Lessor from and against all loss, damage or expense which the Lessor may sustain or incur, and against any and all claims, demands, suits and actions whatsoever, including expense of investigation and litigation, on account of injury to or death

of persons, including without limitation employees of Lessor, employees of Lessee or its affiliated companies or on account of damage to or destruction of property, including without limitation property owned by and property in the care, custody or control of Lessor during the Term, due to or arising in any manner from:

- (i) The acts or negligence of Lessee or any contractor, subcontractor, or agent of Lessee or their respective employees;
  - (ii) The condition, use or operation of the Premises and/or materials or substances used by Lessee or any of its contractors, subcontractors or agents of Lessee or by their respective employees, regardless of whether or not furnished by Lessor under this Lease or otherwise;
  - (iii) Any damage or injury to persons or property arising out of Lessee's breach or this Lease, including, but not limited to, obligations of Lessee under Section 7, Maintenance.
- B. Lessor shall have no liability to Lessee as a result of loss or damage to Lessee's property or for death or bodily injury caused by the acts or omissions of other tenants in the project or by third parties (including criminal acts).
- C. Lessee shall not be obligated to indemnify Lessor for the portion of any claim or liability caused by or arising from the act, or negligence of Lessor.
- D. It is mutually understood and agreed that the assumption of liabilities and indemnification provided for in this Section 17 shall survive any termination of this Lease.

18. **Damage or Destruction.** If any of the Premises, or a substantial part of the building in which the Premises are located, shall be damaged or destroyed by fire or other insured casualty, and repair of the damage can not be completed within one hundred eighty (180) days, following receipt by Lessor of actual notice of such damage or destruction Lessor shall have the option either (a) to repair or rebuild within a reasonable time utilizing the insurance proceeds to effect such repair, or (b) not to repair or rebuild, and to cancel this Lease on thirty (30) days notice. If Lessor fails to give Lessee written notice of its election within thirty (30) days from the date of damage, or if the restoration of the Premises cannot be completed within one hundred eighty (180) days from date of notice, Lessee may cancel this Lease at its option on three (3) days notice. During the period of untenantability, rent shall abate in the same ratio as the portion of the Premises rendered untenantable bears to the whole of the Premises; provided that if the damage is due to the fault or neglect of Lessee, there shall be no abatement of rent.

If the Premises or the building in which the Premises are located shall be damaged or destroyed by fire or other insured casualty, and repair of the damage can be completed within one hundred eighty (180) days, Lessor shall repair or rebuild within a reasonable time utilizing the insurance proceeds to effect such repair.

If any part of the Premises or the building in which the Premises are located shall be damaged or destroyed by an uninsured casualty Lessor shall have the option either (a) to repair or rebuild within a reasonable time, or (b) not to repair or rebuild, and to cancel this Lease on thirty (30) days notice. In the event of cancellation by Lessor as a result of an uninsured casualty, Lessee shall have the right, within five (5) days following Lessor's notice of cancellation, to override such cancellation by agreeing to repair the damage at Lessee's sole cost and expense. In such event, the Lessee shall repair or rebuild within a reasonable time following the damage or destruction.

19. **Eminent Domain.** If the whole of the Premises shall be taken by any public authority under the power of eminent domain, or purchased by the condemnor in lieu thereof, then the term of this Lease shall cease as of the date possession is taken by such public authority. If only part of the Premises shall be so taken, the Lease shall terminate only as to the portion taken, and shall continue in full force and effect as to the remainder of said Premises, and the monthly rent shall be reduced proportionately; provided, however, if

Lessee acknowledges that Lessor has disclosed to Lessee on or before the signing of this Lease that Sound Transit has expressed an interest in property owned by Lessor which may include the Premises and that Sound Transit could acquire the Premises through condemnation or proceedings in lieu of condemnation sometime within the first few years of this Lease.

- ### Statistical analysis

collection costs, necessary to compensate Lessor. "The Worth," as used in Section (1) is to be calculated allowing interest at 18% per year (or, if applicable, at such lower rate as may represent the highest legal limit allowed in the State of Washington). "The worth" as used for Section (2) is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of termination. The above remedies of Lessor are cumulative and in addition to any other remedies now or hereafter allowed by law or elsewhere provided for in this Lease.

22. **Removal of Property.** Any property of Lessee removed by Lessor in accordance with Section 21 above may be stored by Lessor or may be deposited on any area adjacent to the building at the sole risk and expense of Lessee and without any further responsibility of Lessor, and Lessor may at its sole discretion without or after removing said property, without obligation to do so and without notice to Lessee, sell or dispose of the same at public or private sale for the account of Lessee, in which event the proceeds therefrom may be applied by Lessor upon any indebtedness due from Lessee to Lessor. Lessee waives all claims for damages that may be caused by Lessor re-entering the Premises and removing or disposing of said property as herein provided.
23. **Costs and Attorneys' Fees.** In the event either party shall commence legal action to enforce any provision of this Lease, the court shall award to the prevailing party all reasonable attorneys' fees and all costs incurred in connection therewith, including fees and costs on appeal. Any action relating to this Lease shall be brought in the County in which the Premises are located or, at Lessor's election, in King County, Washington.
24. **Subrogation Waiver.** Lessor and Lessee each herewith and hereby release and relieve the other and waive its entire right of recovery against the other for loss or damage arising out of or incident to the perils of fire, explosion or any other perils described in the "all risk" insurance and the events covered under the property insurance coverages required under this Lease, whether due to the negligence of either party, their agents, employees or otherwise. Each party shall obtain from its respective insurer under each insurance policy that it maintains a waiver of all rights of subrogation which the insurer may have against the other party for claims that are released under this Section 24.
25. **Holding Over.** If Lessee, with the express consent of Lessor, shall hold over after the expiration of the term of this Lease, Lessee shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the monthly rent to be paid by Lessee shall be determined by multiplying the monthly rent in effect immediately preceding such expiration times 150%. If Lessee holds possession of the Demised Premises after the expiration of the Lease without the express written consent of Lessor, Lessee shall remain bound by all the covenants and agreements herein, except that (a) the tenancy shall be from month-to-month and (b) the monthly rent to be paid by Lessee shall be the greater of twice the Monthly Minimum Rent in effect immediately preceding such expiration or the total rent which other Lessees have agreed to pay for the Premises during the period of such holdover, if Lessor has leased all or part of the Premises to other Lessees effective upon the expiration or termination of this Lease. Any such tenancy may be terminated with twenty (20) days prior notice as provided by Washington State law.

In the event of any unauthorized holding over, Lessee shall also indemnify and hold Lessor harmless from and against all liability, losses, claims, causes of action, damages, costs and expenses (including without limitation attorney fees) resulting from Lessee's failure to surrender the Premises, including without limitation claims made by succeeding Lessees resulting from Lessee's failure to surrender the Premises.

**Survival of Lessee's Obligations.** Lessee's obligations under this Section 25 shall survive the expiration or termination of this Lease.

26. **Subordination and Attornment; Mortgage Protection.**

- A. **Subordination-Notice to Mortgagee.** At the request of Lessor, Lessee shall promptly execute, acknowledge and deliver, all instruments which may be required to subordinate this Lease to any existing or future mortgages, deeds of

trust and/or other security documents on or encumbering the Premises or on the leasehold interest held by Lessor, and to any extensions, renewals, or replacements thereof, provided that the mortgagee or beneficiary, as the case may be, shall agree to recognize this Lease in the event of foreclosure if Lessee is not in material default at such time.

- B. **Lessee's Certificate.** Lessee shall at any time and from time to time within five (5) days after written notice from Lessor execute, acknowledge and deliver to Lessor a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect), and the date to which the rental and other charges are paid in advance, if any; and (b) acknowledging that there are not, to Lessee's knowledge, any uncured defaults on the part of the Lessor or Lessee hereunder, or specifying such defaults if any are claimed; and (c) setting forth the date of commencement of rents and expiration of the Lease Term hereof; and, (d) such other information as the Lessor shall reasonably require. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Premises of which the Premises are a part.
- C. **Mortgagee Protection Clause.** Lessee agrees to notify any mortgagee and/or trust deed holders, by registered mail, with a copy of any notice of default served upon the Lessor, provided that prior to such notice Lessee has been notified in writing (by way of Notice of Assignment of Rents and Lease, or otherwise) of the addresses of such mortgagees and/or trust deed holders. Lessee further agrees that if Lessor shall have failed to cure such default, then the mortgagees and/or trust deed holders have thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional times as may be necessary if within such thirty (30) days any mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings if necessary to affect such cure), in which event this Lease shall not be terminated if such remedies are being so diligently pursued.
27. **Surrender of Possession.** Lessee shall, prior to the termination of this Lease or of Lessee's right to possession, remove from the Premises all personal property which Lessee is entitled to remove and those alterations, additions, improvements or signs which may be required by Lessor to be removed, pursuant to Sections 13 and 15 above, and shall repair or pay for all damage to the Premises caused by such removal. All such property remaining and every interest of Lessee in the same shall be conclusively presumed to have been conveyed by Lessee to Lessor under this Lease as a bill of sale, without compensation, allowance, or credit to Lessee. Lessee shall upon termination of this Lease or of Lessee's right of possession, deliver all keys to Lessor and peacefully quit and surrender the Premises without notice, neat and clean, and in as good condition as when Lessee took possession, except for reasonable wear and tear as determined by Lessor and except for damage by casualty or condemnation.
28. **Late Payment and Interest.** If any amount due from Lessee is not received in the office of Lessor on or before the third (3rd) day following the date upon which such amount is due and payable, a late charge of five percent (5%) of said amount shall become immediately due and payable, which late charge Lessor and Lessee agree represents a fair and reasonable estimate of the processing and accounting costs that Lessor will incur by reason of such late payment. All past due amounts owing to Lessor under this Lease, including rent, shall be assessed interest at an annual percentage rate of eighteen percent (18%) from the date due until paid.
29. **Notice.** Any notice, communication or remittance required or permitted by this Lease by either party to the other shall be deemed given, served or delivered, in writing, delivered personally or by courier or by telephonic facsimile transmission with automatic confirmation, addressed to the Lessor at the address specified for the payment of rent under paragraph 3 of this Lease or to Lessee at the Premises or to such other address as either party may designate to the other in writing from time to time.



30. No Waiver of Covenants. Time is of the essence of this Lease. Any waiver by either party of any breach hereof by the other shall not be considered a waiver of any future similar or other breach.
31. Entire Agreement. It is expressly understood and agreed by Lessor and Lessee that there are no promises, agreements, conditions, understandings, inducements, warranties, or representations, oral or written, express or implied, between them, other than as herein set forth and that this Lease shall not be modified in any manner except by an instrument in writing executed by the parties.
32. Binding on Heirs, Successors and Assigns. The covenants and agreements of this Lease shall be binding upon the heirs, executors, administrators, successors and assigns of both parties hereto, except as hereinabove provided.
33. Lessor's Assignment. It is fully understood that Lessor shall have the full right to assign this Lease, without any notice to Lessee, thereby relieving Lessor from all and any liabilities; provided however, that the assignee assumes all Lessor's responsibilities as set forth in this Lease.
34. Environmental. See Rider One attached and incorporated into this Lease by this reference.
35. Brokers; Agency Disclosure; Brokerage Relationships.
- A. Payment of Brokers. Lessor shall pay the commissions due those real estate brokers or agents named below pursuant to separate written agreements. If Lessee has dealt with any other person or real estate broker with respect to leasing or renting space in the Building, Lessee shall be solely responsible for the payment of any fee due said person or firm and Lessee shall hold Lessor free and harmless against any liability in respect thereto, including attorney's fees and costs.
- B. Agency Disclosure. At the signing of this Lease Agreement, Chris Corr and Dick Fosness, of Kidder Mathews and Segner, represented both Lessor and Lessee. Each party signing this document confirms that the prior oral and/or written disclosure of agency was provided to him/her in this transaction. (As required by WAC 308-124D-040).
36. Force Majeure. Lessor shall have no liability to Lessee on account of the following acts of "force majeure," which shall include (a) the inability of Lessor to fulfill, or delay in fulfilling, any of Lessor's obligations under this Lease by reason of strike, lockout, other labor trouble, dispute or disturbance; (b) governmental regulation, moratorium, action, inaction, preemption or priorities or other controls, including delays in receipt of permits; (c) shortages of fuel, supplies or labor; (d) any failure or defect in the supply, quantity or character of electricity or water furnished to the Premises by reason of any requirement, act or omission of the public utility or others furnishing the Building with electricity or water; or (e) for any other reason, whether similar or dissimilar to the above, or for act of God, beyond Lessor's reasonable control. If this Lease specifies a time period for performance of an obligation of Lessor, that time period shall be extended by the period of any delay in Lessor's performance caused by any of the events of force majeure described herein.
37. Limitation of Liability. The recourse of Lessee to recover any claim against Lessor arising under this Lease shall be limited to Lessor's interest in the Building and to the rents, issues and profits from the Building. Lessee waives any and all recourse for any such liability against Lessor's members, partners, shareholders, trustees or beneficiaries, or any property or assets of Lessor other than the Building.
38. Exhibits. The following exhibits or riders are made a part of this Lease and are incorporated herein by reference:

Rider One - Environmental  
Exhibit A - Premises

Exhibit B - Legal Description  
Exhibit C - Rules and Regulations

39. **Option to Renew.** Provided Lessee has not been in default of any term or condition of the Lease beyond any applicable cure period, Lessee shall have the Option to Renew this Lease on all of the terms and conditions contained in this Lease, except Monthly Minimum Rent for two consecutive terms of five years each ("Extended Term") following expiration of the Initial Term. The Monthly Minimum Rent for the Extended Term shall be negotiated. Lessee shall notify Lessor of its intent to exercise this Option to Renew at least than twelve (12) months prior to the expiration of the Initial Term or the first Extended Term, as applicable. Upon receipt of Lessee's notice to extend, Lessor shall provide Lessee notice stating the rental rate it would be willing to accept for the extended term (the "Lessor's Notice Rate"). Lessee shall have ten (10) days after receipt of Lessor's Notice Rate to accept or reject such rate. In the event Lessee rejects the Lessor's Notice Rate such rejection shall state the rate that Lessee would be willing to pay for the extended term (the "Lessee's Notice Rate"). Within two (2) days thereafter each party shall select an appraiser and the two appraisers shall within ten (10) days appoint a third appraiser (the "Determining Appraiser"). The Determining Appraiser shall make an independent determination of whether the Lessor's Notice Rate or the Lessee's Notice Rate represents the correct Market Rent for the renewal term as of the commencement date, without reduction for concessions and including any market escalations then in effect. "Market Rent" shall mean the rent obtained for comparable space for a comparable term in comparable buildings in the geographic area in which the building is located and comparable space shall mean similar sized space in similar condition. The Determining Appraiser will be instructed that it must chose either the Lessor's Notice Rate or the Lessee's Notice Rate and is not permitted to select any other rate. Such determination of Market Rent shall be made within thirty (30) days of selection of the Determining Appraiser. Each party shall be bound by this determination. All appraisal costs will be paid by the party whose suggested rate was not selected as the Market Rate by the Determining Appraiser. The market rent determination established pursuant to this paragraph will be binding upon the parties and the Lease shall be extended for the additional term unless the parties mutually agree to nullify the lease extension and allow the Lease to terminate on its originally scheduled termination date.

LESSOR:

Kent Central, LLC

By: Larry R. Benaroya  
Its: Manager

Date: 10/5/99

LESSEE:

Tully's Coffee Corporation

By: John G. Murphy  
Its: Authorized CEO

Date: 10/5/99

STATE OF WASHINGTON ]  
] ss.  
COUNTY OF KING ]

I certify that I know or have satisfactory evidence that Larry R. Benaroya is the person who appeared before me, a Notary Public in and for the State of Washington duly commissioned and sworn, and acknowledged that he is the Manager of Kent Central, LLC, a Washington limited liability company, who executed the within and foregoing instrument, and acknowledged the instrument to be the free and voluntary act and deed of said company for the uses and purposes therein mentioned, and on oath stated that affiant is authorized to execute said instrument on behalf of said company.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

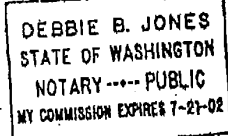


Rebecca A. Bethel  
Notary Public in and for the  
State of Washington  
residing at Seattle  
Commission expires 11/9/02  
Print Name Rebecca A. Bethel

STATE OF WASHINGTON ]  
COUNTY OF King ] ss.

I certify that I know or have satisfactory evidence that Tom T. O'Keefe is the person who appeared before me, a Notary Public in and for the State of Washington duly commissioned and sworn, and acknowledged that he/she is the Chairman - CEO of Tully's Coffee Corporation, a Washington corporation, who executed the within and foregoing instrument, and acknowledged the instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that affiant is authorized to execute said instrument on behalf of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



Debbie B. Jones  
Notary Public in and for the  
State of Washington  
residing at Shoreline  
Commission expires 7-21-02  
Print Name Debbie B. Jones

**RIDER ONE**  
**EMISSIONS; STORAGE, USE AND DISPOSAL OF WASTE**

- a. **Emissions.** Lessee shall not (i) discharge, emit or permit to be discharged or emitted, any liquid, solid or gaseous matter, or any combination thereof, into the atmosphere, the ground or any body of water, which does or may pollute or contaminate the same, or does or may adversely affect the health or safety of persons, or the use or enjoyment of the Premises; nor (ii) transmit, receive or permit to be transmitted or received, any electromagnetic, microwave or other radiation in, on or about the Premises.
- b. **Storage.** If, with or without violation of this Lease, Lessee possesses at the Premises any matter described in Section A above or any Hazardous Substances (as defined below), Lessee shall store the same in appropriate leak proof containers and/or areas which comply with all laws and all prudent practices.
- c. **Disposal of Waste.** Lessee shall not keep any trash, garbage, waste or other refuse on the Premises except in sanitary containers and shall regularly and frequently remove same from the Premises. Lessee shall keep all such containers in a clean and sanitary condition. Lessee shall properly dispose of all sanitary sewage and shall not use the sewage system for the disposal of anything except sanitary sewage, nor in excess of capacity. Lessee shall not cause any obstruction in the sewage disposal system.
- d. **Compliance of Law.** Notwithstanding any other provision in the Lease to the contrary, Lessee shall comply with all Laws in complying with its obligations under this Lease, and in particular, Laws relating to the storage, use and disposal of Hazardous Substances (as defined below).
- e. **Indemnification for Breach.** Lessee shall defend, indemnify and hold Lessor, the Project and the holder of a trust deed or mortgage on the Project harmless from any loss, claim, liability or expense, including, without limitation, attorneys fees and costs, at trial and/or on appeal and review, arising out of or in connection with its failure to observe or comply with the provisions of this Rider. This indemnity shall survive the expiration or earlier termination of the term of the Lease or the termination of Lessee's right of possession and be fully enforceable thereafter.
- f. **Indemnification Regarding Hazardous Substances.** In addition to the indemnity obligations contained elsewhere herein, Lessee shall indemnify, defend and hold harmless Lessor, the Premises, the Project, and the holder of a trust deed or mortgage on the Project, from and against all claims, losses, damages, monitoring costs, response costs, liabilities, and other costs expenses caused by, arising out of, or in connection with, the generation, release, handling, storage, discharge, transportation, deposit or disposal in, on, under or about the Premises by Lessee or any of Lessee's agents of the following (collectively referred to as "Hazardous Substances"): hazardous materials, hazardous substances, toxic wastes, toxic substances, pollutants, petroleum products, underground tanks, oils, pollution, asbestos, PCB's, radioactive materials, or contaminants, as those terms are commonly used or as defined by federal, state, and/or local law or regulation related to protection of health or the environment as any of same may be amended from time to time, and/or by any rules and regulations promulgated thereunder. Such damages, costs, liability and expenses shall include such as are claimed by any regulating and/or administering agency, any ground lessor or master lessor of the Project, the holder of any Mortgage or Deed of Trust on the Project, and/or any successor of the Lessor named herein. This indemnity shall include (i) claims of third parties, including governmental agencies, for damages, fines, penalties, response costs, monitoring costs, injunctive or other relief; (ii) the costs, expenses or losses resulting from any injunctive relief, including preliminary or temporary injunctive relief; (iii) the expenses, including fees of attorneys and experts, of report the existence of Hazardous Substances to an agency of the State of which the Premises is located or of the United States as required by applicable laws and regulations; and (iv) any and all expenses or obligations, including attorney's fees, incurred at, before and after any administrative proceeding, trial, appeal and review. This indemnity shall survive the expiration or earlier termination of the term of the Lease or the termination of Lessee's right of possession and shall remain fully enforceable thereafter.

- ### Stylusballpen

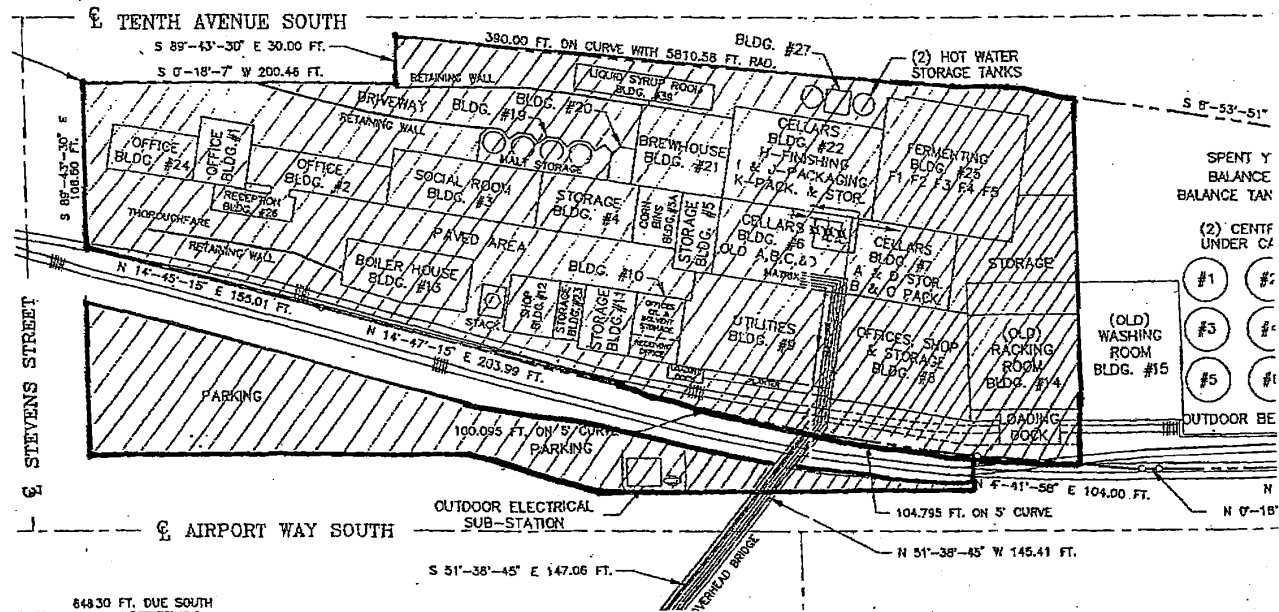


EXHIBIT A  
PREMISES

SPENT Y  
BALANCE  
BALANCE TAN  
(2) CENT  
UNDER CA  
#1 #2  
#3 #4  
#5 #6  
(OLD)  
WASHING  
ROOM  
BLDG. #15  
LOADING  
DOCK #7  
OUTDOOR BE

**EXHIBIT B  
LEGAL DESCRIPTION**

**PARCEL 2:**

Lots 1 through 6, Block 233, Seattle Tidelands, in King County, Washington, as shown on the official maps on file in the Office of the Commissioner of Public Lands at Olympia, Washington.

TOGETHER WITH Lots 1 through 12, Block 11, Hanford's Addition to South Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 37, in King County, Washington.  
TOGETHER WITH ALL of vacated alley in said Block 11, as vacated under City of Seattle Ordinance No. 38522;

TOGETHER WITH Lots 1 through 12, Block 16, Hanford's Addition to South Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 37, in King County, Washington.  
TOGETHER WITH ALL of vacated alley in said Block 16, as vacated under City of Seattle Ordinance No. 38521;

TOGETHER WITH ALL of vacated South Winthrop Street between said Blocks 16 and 11, as vacated under City of Seattle Ordinance No. 38522;

TOGETHER WITH that portion of vacated South Hanford Street adjoining Block 16, as vacated under City of Seattle Ordinance No. 65571 and would attach by operation of law;

TOGETHER WITH that portion of vacated Tenth Avenue South, as vacated under City of Seattle Ordinance No. 55896, and described as follows:

BEGINNING at the intersection of the production south of the East line of Block 16 of said Plat of Hanford's Addition to South Seattle and the westerly right-of-way line of the Seattle Freeway (Primary State Highway No. 1);

thence Northerly along said westerly right-of-way line to the production east of the North line of Lot 12, Block 11 of said plat; thence West along said produced line to the East line of Block 11; thence South along said East line and the same produced and along the East line of Block 16 to the POINT OF BEGINNING;

EXCEPT from the above described Parcel 2 any portion lying within the Northern Pacific Railway Company right-of-way; EXCEPT that portion as conveyed to the State of Washington for Primary State Highway No. 1 by deed recorded under Recording No. 6123564.

**EXHIBIT C**  
**RULES AND REGULATIONS**

1. Except as specifically provided in the Lease to which these Rules and Regulations are attached, no sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the outside or inside of the Building or Project without the prior written consent of Lessor. Lessor shall have the right to remove, at Lessee's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors and walls shall be printed, painted, affixed or inscribed at the expense of Lessee by a person approved by Lessor.
2. If Lessor objects in writing to any objects attached to or used in connection with any window or door of the Premises, or placed on any windowsill, which is visible from the exterior of the Premises, Lessee shall immediately discontinue such use. Lessee shall not place anything against or near glass partitions or doors or windows which may appear unsightly from outside the Premises.
3. Lessee shall not obstruct any sidewalks, exits, entrances, or stairways of the Project. The exits, entrances, and stairways are not open to the general public, but are open, subject to reasonable regulations, to Lessee's business invitees. No Lessee and no employee or invitee of any Lessee shall go upon the roof(s) of the Project except for Lessee's mechanical contractor to access the HVAC equipment. Lessee's choice of a contractor is subject to the reasonable approval of Lessor.
4. Lessor will furnish Lessee, free of charge, with two keys to each door lock in the Premises. Lessor may make a reasonable charge for any additional keys. Lessee shall not alter any lock or install a new additional lock or bolt on any door of its Premises without Lessor's prior consent, which will not be unreasonably withheld. In the event of such an alteration or installation, Lessee will promptly deliver a copy of any new keys to Lessor. Lessee, upon the termination of its tenancy, shall deliver to Lessor the keys of all doors which have been furnished to Lessee, and in the event of loss of any keys so furnished, shall pay Lessor therefor.
5. If Lessee requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with, Lessor's instructions in their installation.
6. Lessee shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry and which is allowed by Law. Heavy objects shall, if considered necessary by Lessor, stand on such platforms as determined by Lessor to be necessary to properly distribute the weight, which platforms shall be provided at Lessee's expense. Equipment belonging to Lessee which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein shall be placed and maintained by Lessee, at Lessee's expense, on vibration eliminators, or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Building must be acceptable to Lessor. Lessor will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the building by maintaining or moving such equipment or other property shall be repaired at the expense of Lessee.
7. Lessee shall not use or keep in the Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of Lessee's equipment. Lessee shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises to be occupied or used in manner offensive or objectionable to Lessor or other occupants of the building by reason of noise, odors or vibrations, nor shall Lessee bring into or keep in or about the Premises any animals.
8. Lessee shall not use any method of heating or air conditioning other than that supplied by Lessor.
9. Lessee shall not waste water and agrees to cooperate fully with Lessor to assure the most effective operation of the Building and to comply with any governmental energy-saving rules, laws or regulations of which Lessee has actual notice.



10. Lessor reserves the right, exercisable without notice and without liability to Lessee, to change the name and street address of the Building.
11. Lessee shall entirely shut off any water faucets or other water apparatus, and adjustable electricity, gas or air outlets before Lessee and its employees leave the Premises. Lessee shall be responsible for any damage or injuries sustained by other Lessees or occupants of the Building or by Lessor for noncompliance with this rule.
12. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein.
13. Lessee shall not make any room-to-room solicitation of business from other Lessees in the Project. Lessee shall not use the Premises for any business or activity other than that specifically provided for in Lessee's Lease. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Project are prohibited, and Lessee shall cooperate to prevent such activities.
14. Lessee shall not install any radio or television antenna, loudspeaker or other devices on the roof(s) or exterior walls of the Building or Project. Lessee shall not interfere with radio or television broadcasting or reception from or in the Project or elsewhere.
15. Lessee shall not in any way deface the Premises or any part thereof, except in accordance with the provisions of the Lease pertaining to alterations. Lessor reserves the right to direct electricians as to where and how telephone and telegraph wires are to be introduced to the Premises. Lessee shall not cut or bore holes for wires. Lessee shall not affix any floor covering to the floor of the Premises in any manner except as approved by Lessor. Lessee shall repair any damage resulting from noncompliance with this rule.
16. Lessee shall not install, maintain or operate upon the Premises any vending machines other than those to be used by employees of Lessee without the written consent of Lessor.
17. Lessor reserves the right to exclude or expel from the Project any person who, in Lessors' judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Building.
18. The Premises shall not be used for lodging, nor shall the Premises be used for any improper, immoral or objectionable purpose. No cooking shall be done or permitted on the Premises without Lessor's consent, except that used by Lessee of Underwriters' Laboratory approved equipment for brewing coffee, tea, hot chocolate and similar beverages or use of microwave ovens for employee use shall be permitted, provided that such equipment and use is in accordance with all applicable Laws.
19. Lessee shall comply with all safety, fire protection and evacuation procedures and regulations established by Lessor or any governmental agency.
20. Lessee assumes any and all responsibility for protecting its Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.
21. Employees of Lessor shall not be required to perform any work or do anything outside of their regular duties unless under special instructions from Lessor.
22. Lessor may waive any one or more of these Rules and Regulations for the benefit of Lessee or any other Lessee, but no such waiver by Lessor shall be construed as a waiver of such Rules and Regulations in favor of Lessee or any other Lessee, nor prevent Lessor from thereafter enforcing any such Rules and Regulations against any or all of the Lessees of the Project.
23. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of the Lease.

24. Lessor reserves the right to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety and security, for care and cleanliness of the Project and for the preservation of good order therein. Lessee agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.
25. Lessee shall be responsible for the observance of all of the foregoing rules by Lessee's employees, agents, clients, customers, invitees and guests.